

AU-65

WORTHLESS DEBTS CREDIT — CASH BASIS

Please read instructions on reverse before completing this form

(Rev. 7/98)

TAXPAYER'S NAME	CONNECTICUT TAX REGISTRATION NUMBER
TAXPAYER'S ADDRESS	CONNECTICUT FEDERAL EMPLOYER I.D. NUMBER

LIST THE CUSTOMER (DEBTOR) NAME, INVOICE NUMBER, PAYMENT DUE DATES AND TOTAL OF THE UNCOLLECTIBLE SALES MADE BY THE TAXPAYER (RETAILER) FOR EACH DEBTOR. ATTACH ADDITIONAL INFORMATION IF NECESSARY.

CUSTOMER NAME AND ADDRESS	INVOICE NO.	DUE DATE	AMOUNT
1)			
2)			
3)			
TAX RETURN PERIOD FOR WHICH CREDIT IS CLAIMED		TOTAL	

Check the appropriate box at right and furnish a detailed explanation of the efforts made to collect each of the debts and why they are considered worthless.

1)	<input type="checkbox"/> Customer declared bankruptcy <input type="checkbox"/> Legal action to collect probably would not result in payment of any part of the debt <input type="checkbox"/> Other (Attach explanation)
2)	<input type="checkbox"/> Customer declared bankruptcy <input type="checkbox"/> Legal action to collect probably would not result in payment of any part of the debt <input type="checkbox"/> Other (Attach explanation)
3)	<input type="checkbox"/> Customer declared bankruptcy <input type="checkbox"/> Legal action to collect probably would not result in payment of any part of the debt <input type="checkbox"/> Other (Attach explanation)

Describe the business or family relationship between the taxpayer and each debtor:

1)	
2)	
3)	

Declaration: I declare under the penalties of false statement that I have examined this form and to the best of my knowledge and belief it is true, complete and correct.

Signature	Title	Date
-----------	-------	------

INSTRUCTIONS

Form AU-65, *Worthless Debts Credit — Cash Basis*, is for taxpayers who report sales on the cash basis for federal purposes but report sales on the accrual basis for Connecticut sales and use tax purposes. Cash basis filers for federal income tax purposes must attach this form to **Form OS-114, *Sales and Use Tax Return***, for the period in which you claim a worthless debt credit. Include on **Form AU-65** the name and address of the debtor and any business or family relationship to the retailer, the date that the debt became past due, efforts made to collect the debt and the reason the debt is worthless. Enter the worthless debt amount as a deduction under “Other Adjustments” on Form OS-114, *Sales and Use Tax Return*.

You may be eligible for a credit for sales tax paid to the Department on any sales that are subsequently determined to be worthless. The Department will consider these sales to be worthless when it is satisfied from the facts presented that the sales are uncollectible despite substantial and continuing efforts to collect the debt. Usually, a sale will not be considered worthless unless you have attempted to collect the debt for at least six months following the sale. For example, you could show that the client or customer has declared bankruptcy, or that legal action to collect would probably not result in payment of any part of the debt.

Guidelines for Retailers Claiming a Credit

The following guidelines apply to retailers on the cash basis method of accounting for federal income tax purposes.

- a. No adjustment will be allowed if more than three years have elapsed from the date the tax was remitted to the Department of Revenue Services, unless the credit relates to a period for which a waiver is given according to Conn. Gen. Stat. §12-415(8).
- b. If a deduction for tax on uncollectible sales is allowed by the Department of Revenue Services, and you subsequently receive full or partial payment, you must include the amount of the payments on the Sales and Use Tax Return covering the period in which the payments are received.
- c. All adjustments must relate to the tax rate in effect at the time of the original sale. Use the tax rate effective at the date of the original sale if a change has occurred in the tax rate since that date and the date you claim a credit.

Renegotiated Contracts for Reduced Amounts

Sales tax not collected as a result of renegotiated contracts is not considered to be a worthless debt. If a contract is renegotiated for a lesser amount than the original contract, you may request a sales and use tax refund for excess sales and use tax previously paid. An amended Sales and Use Tax Return must be filed with the refund request. In addition, you must submit a copy of the final bill and show the adjustment to the original contract.